

# **Classifying Informal Institutions in Ethiopia**

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# Acronyms

CGIAR	The Consultation Group on International Agricultural Research
CPWF	Challenge program on water and food
GDP	Gross Domestic Product
IWMI	International Water Management Institute
IFPRI-ERHS	International Food Policy Research Institute-Ethiopian Rural Household Survey
MDGs	Millennium Development Goals
NBD	Nile Basin Development Challenge
NIE	New Institutional Economics
RWM	Rain Water Management
SNNP	Southern Nations and Nationalities peoples
UN	United Nations
WUC	Water unit committee

## **Abstract**

It has been argued that institutions and institutional mechanisms (governance structures) contribute a lot for development and explain differences in growth rates and development paths in developing countries. Using secondary data such as literature, IFPRI-ERHS data and the data from the NBDC farmer focus group discussion taken place in Diga, Jeldu and Fogera, the study presented some qualitative and statistical evidence on existing informal institutions/governance structures in Ethiopia. The study also examines the economic benefits of these institutions and how to map these institutions for sustainable economic development or social capital. The study obtained the possible informal governance structures in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association. These informal institutions or governance structures engaged in different economic and social activities. The major benefits include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information. Based on the functions they provide as primary, secondary and none, we classified these informal institutions/governance structures in to three major categories: i) which cover a large range of governance issues, ii) which avoid specific market failures and iii) that serve social duties and conflict resolution.

# 1 Background Information

The theoretical foundation for bringing institutions to economics may be tracked back to the writings of Coase (1937), with the theory of the firm. Assuming perfect markets, neoclassical economists argued that price mechanism plays a role in exchange while ignoring the fundamental importance of institutions. Later on, New Institutional Economics emerge to work on further by modifying the neoclassical orthodoxy. The fundamental argument of the NIE is that: “institutions matter and are susceptible to analysis” (Williamson, 2000). It was at this time that Coase (1937) in his title: “theory of the firm” becomes a base for the new institutional economics. Coase argued that, in the world of imperfect information, enforcement problem and uncertainties, the firm represents an alternative governance structure to the market by providing an environment in which the price mechanism replaced by the power and authority of an entrepreneur. He justified that the existence of the firm implies that there are costs to market transactions. Similarly, Williamson (1979) argued that in a competitive world in which information is costly, different institutional environments imply differences in commitment and the cost of transaction.

Transaction costs include: information costs, risk costs, waiting costs, costs of retailing, negotiating costs, contracts and enforcement costs (Hira and Hira, 2000). According to North, transaction costs determine the economic performance of a certain country. In turn, institutions and the effectiveness of enforcement determine the cost of transactions. Institutions are formed to reduce uncertainty in human exchange (relations), reduce transaction and production costs per exchange by internalizing them and by setting up standard rules of action (uncertainty and lack of reputation). Institutions are efficient solutions to problems of organization in a competitive market (North, 1991). Institutions provide rules, constraints and incentives that are instrumental to the governance of exchanges. These institutions or governance mechanisms can be either formal or informal in nature.

Formal institutions are rules and procedures that are created, communicated, and enforced through channels widely accepted as official and government organizations (corporations, political parties and interest groups) (Helmke and Levitsky, 2004). The governance system of these institutions is observable through written documents or rules that are determined and executed through formal position, such as authority or ownership. These institutions include explicit incentives, contractual terms and firm boundaries as defined by equity positions (Williamson, 1996; North, 1990) However, the quality of formal institutions, in accomplishing their objectives, is affected by social trust, including this measure of informal institutions, otherwise their importance will be overestimated (Bjornskov et al., 2009). Informal institutions are defined as socially shared (socially driven) and usually unwritten (based on implicit understandings) rules, that are created, communicated and not enforced or necessarily sanctioned



through formal position. These institutions include social norms, routines, and political processes that govern the behavior of the groups (Helmke and Levitsky, 2004). Together with this, Bratton (2007) argued that, Africa is the best starting point for exploring the role of informal institutions and that these derive from a social logic he calls “the economy of affection.” As examples of informal institutions, he includes charisma (an authority relationship based on personal trust), clientelism (the expression of political loyalty to providers of patronage), pooling (horizontal exchanges within small groups) and collective self-defense (for example, the development of shared norms of sovereignty and noninterference). For this paper, the focus is on the governance system of the informal institutions. The definition of informal institutions for this study follows from the definition of Watson: “institutions that have emerged in a particular situation or that are practiced or constituted by people who have had a degree of continuity of living in and using the resources of an area. They are neither unchanging, nor unaffected by influences from other places or people, they are characterized by collection or group power which are run by or composed of local people” (Watson, 2003)

Different actors have different views about informal institutions in understanding the progress and its contribution to development outcomes. Due to their limited analytical and methodological tools that will be used, the NIEs theorists poorly recognized it. Others, for instance, policy actors perceived informal institutions negatively or considering them irrelevant for development (High & Pelling, 2005). In one hand, it is shown that informal institutions contribute a lot towards economic growth through collective action. Informal institutions have social reality in changing the history of human beings (e.g., the abolishment of slave trade). On the other hand, there is lack of analytical framework that helps to link informal institutions to development outcomes (Jütting, 2003). Especially in developing countries, a variety of informal institutions that enable transactions and are particular to the poor can be observed (Banerjee & Duflo, 2011). Informal institutions are argued to be adaptive, flexible and negotiable which help most to the vulnerable in the society. These institutions are seen as a ready-made set of power structures that enable a group of people to organize themselves, to take decisions, to enforce regulations and to resolve conflicts indigenously. As Watson explained it further, taking this all in to consideration development projects also give special emphasis on these informal institutions and described them as: “a universe of experience that could provide many valuable lessons for mobilizing and sustaining collective action for self-help and self management in the modern world ”(Watson, 2003). These informal institutions could therefore be good proxy to access the capacity of a community to organize collective actions. Through the formation of social networks, informal institutions reduce the incidence of opportunistic behavior and thus favoring non-hierarchical forms of governance. These group-collective actions can only emerge if the community has sufficient social capital to get self-organized.

Ethiopia is one of these developing countries endowed with informal institutions. Recently, issues about informal institutions increasing and getting attention from different actors. Informal

institutions through their self-help and being part of one of the development pillar, they get attention by the society. As a signal of their role, significant number of the people of Ethiopia is members of the informal institutions. Some of these institutions played a significant role in various activities mainly in natural resource management as a means to address the needs of people and the environment in a way that is also participatory (Degefa, 2010), in credit and saving (e.g., Eqqub), informal burial institutions (e.g., Iddir) and others which have greater contribution in development agenda. Moreover, these institutions help the poor in addressing the destructive effects of shocks and insuring them to cope with the high cost of funerals and health related issues (Mariam, 2003).

However, there is little understanding of what the potential existing informal institutions the community needed and what their economic benefits are. The informal institutions are not sufficiently investigated if so only from their functional point of view. There is little discussion about their goals, their ability to facilitate transactions and their arrangements (Pankhurst & Mariam, 2000). This study provides, hence, the descriptive assessment of the existing informal institutions in Ethiopia and their role played by collective action through informal net works. Following the framework we developed based on various empirical and theoretical findings; it also classifies these informal institutions in to different governance structures.

## **1.1 Statement of the Problem**

Poor households in developing countries face a variety of shocks that negatively affect their welfare. These shocks can be covariant (result from flood, draught) or idiosyncratic shocks that significantly influence the livelihood of the poor households. To cope with these shocks, household use different mechanisms. For instance, villagers grow a variety of crops that are differently susceptible to climate change, the household may engaged in off-farm activities such as wage labor or involved in low income activities such as share cropping. In addition household may also save own money, borrow money or obtain remittances to smooth consumption and accomplish their activities (Hoddinott et al., 2005). Collective action of the community and net works is another important mechanism by which rural households smooth the adverse impacts of shocks. Informal institutions have been involved in several natural resources conservations including exclusion, for example, for community forest management, land and grazing areas (Pacheco et al., 2008). These institutions enhance efficiency through operating procedures that ease decision making and coordination within bureaucracies (Helmke & Levitsky, 2004). When formal institutions are ineffective and/or failed to provide good governance, conflict resolution and effective property rights, informal institutions are commonly used solutions by the local society. So understanding the importance of informal institutions helps to develop effective social protection policy and will avoid in advance policy changes that will have adverse consequences on the functioning of these informal institutions that possibly damage the capacity of the poor society to cope with and mitigate the adverse shocks and to wisely use their resources and other common benefits.

Ethiopia is one of the African countries that depend on unreliable rain feed agriculture. The country is affected by adverse shocks from shortage of water for agriculture, flood and draught which causes majority of the people to get food starvation. Lack of peace and coordination of the available labor for common benefit is another problem of the country. So the development of informal institutions is an important strategy that the government of Ethiopia takes in to consideration in alleviating poverty and part of the development agenda. Rural Ethiopian communities have indigenous knowledge that has been shown to generate strong relational bondage. This bond results from culture, trust, norms while people are free to join or withdraw which allows them to share information and cooperate among themselves. This ultimately helps them to do collective actions and helping each other in critical times. Local communities for instance use some local solutions for local problems as a coping mechanism, including involving in off-farm activities, exchange of labor, accumulation of assets and others. The local informal institutions helped the poor during adverse shocks and enable them to spring back quickly into their previous condition (Tessera, 2006). Indigenous institutions such as Mahiber, Iddir, Iqqub, Debo and Elders' councils are flexible, dynamic and complex organizations providing socio religious, economic and quasi legal services" in rural Ethiopia (Adal,2000, as cited by Tessera, 2006). Through these informal institutions, rural people can articulate their needs, protect their interests, manage resources and have access to various kinds of services (Adal,2000, as cited by Tessera, 2006). There are different occasions the people meet for example in religious ceremonies like Tabot, Senbete, Mahber, Tsiwa, Tsebel, in social and financial such as Debo, Iddir and Equb (World Bank, 1998). These all are informal local institutions that spring from within the society playing an important role in bringing the people together. In this respect they have contributed a great deal to bring about social cohesion and support among the people in the community and support each other.

International Water Management Institute (IWMI), where I worked my internship is a nonprofit organization working in over 10 countries across Asia and Africa. As research is the core activity of IWMI, during my internship, I mainly involved in conducting a research on informal institutions using secondary data from IFPRI ERHS and a focus group discussion made with farmers from three areas of Amhara region Diga, Fogera and Jeldu. I was also learning some statistical tools that are helpful to my research including Stata and some additional activities like interviewing some actors on the area.

The aim of IWMI is to improve the management of land and water resources for food, livelihoods and the environment. IWMI targets water and land management challenges faced by poor communities in the developing countries and through this contributes towards the achievement of the UN Millennium Development Goals (MDGs) of reducing poverty, hunger and maintaining a sustainable environment. Specifically IWMI conducts researches on how water is used and how it can be used more productively, water quality and its relationship to

health and the environment and how societies govern their water resources (IWMI, 2009). It underlined that as one of the important actors, the collective effort of the community should be taken in to consideration so that the local people can exercise their indigenous knowledge through organizing themselves in the form of informal institutions in managing and using the common resources (Lobo, 2008). In conducting researches, however, IMWI does not study about the informal institutions existing in Ethiopia that contribute much for managing natural resources, e.g., water, land and environment through collective action. Though rural farmers are rich in informal institutions, they are not seen well recognized by formal institutions and do not get attention from the government body as well. This needs further research to address and how to overcome the existing bottlenecks that constrain these institutions to work well (Woolcock, 1998). Also, in Ethiopia, there are no researches conducted regarding these issues. Some researchers like (Pankhurst, 2003; Angassa & Beyene, 2003; Dercon et al., 2005; Dessalegn and Aklilu, 1999), study only on some specific and very limited informal institutions. The aim of this paper is, therefore, to fill this knowledge gap and to have analytical frame work that can map informal institutions for sustainable economic development. In addition, it will help researchers to build in these informal institutions in future research.

## **1.2 Objectives of the study**

The general objective of this study is to investigate informal institutions and identify which informal institution contributes most to the self-organization capacity of a community. As such this study tries to address the following specific research questions:

1. What are the existing informal institutions in Ethiopia?
2. What are their roles and economic purposes?
3. How can these informal institutions be classified and used as proxy for cooperation in communities on their roles?

## 2 Related Literature

### 2.1 Definition of social capital

The concept of social capital gets attention recently by different scholars from different streams such as sociologists, economists and political scientists (Dasgupta and Serageldin, 2000). Social capital refers to features of social organization such as trust, norms, and networks that lubricate cooperative action among both citizens and institutions. These stocks of social capital tend to be self-reinforcing and cumulative and voluntary cooperation is easier in a community that has inherited a substantial stock of social capital in the form of norms of reciprocity and networks of civic engagement (Putnam, 1995). Here, in Putnam's definition, social capital is a very influential thing in community development. According to Cooke (2007) social capital is defined as: "the application or exercise of social norms of reciprocity, trust and exchange for political or economic purposes", which has valuable for the development of the society ranging from ethnic communities to professional association. Others also define social capital from its purpose and it will not be possible to define it without the knowledge of the society it exists in. For instance Sobel (2002) described it like this: "Social capital is an attribute of an individual in a social context. One can acquire social capital through purposeful actions and can transform social capital into conventional economic gains. The ability to do so, however, depends on the nature of the social obligations, connections, and networks available to you".

In addition to the above, others define social capital from its functions point of view. Coleman (1988) argued that:

*Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures and they facilitate certain actions of actors-whether persons or corporate actors-within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. Like physical capital and human capital, social capital is not completely fungible but may be specific to certain activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others. Unlike other forms of capital, social capital inheres in the structure of relations between actors and among actors.*

A group for example, whose members manifest trustworthiness and place extensive trust in one another, will be able to accomplish much more than a comparable group lacking that trustworthiness and trust. Social capital can be inherited within or among the network of members or actors. However, unlike other capitals, the usefulness of social capital and to secure members benefits from the network they are involved, varies by time, place and circumstance. For instance, a certain social capital important for one society may be harmful for other society. Social capital, according to Silva et al. (2006) further defined as: "the norms, networks, and associations that facilitate co-operative action. It consists of cognitive (perceptions of the quality of social relationships such as trust and social harmony), structural (the quantity of social

relationships such as membership of networks), bonding (links between people of similar status), bridging (links between people of dissimilar status) and linking (links between different power levels) components”.

## **2.2 Why does Social Capital Matter?**

It has been said much about social capital about its complexity and to define it precisely. However, its contribution for alleviating poverty and sustainable development is underlined. Social capital matters for rapid economic growth. When Pretty and Smith (2004) wrote about social capital, they justified why there is a concern in development agenda.

Social capital becomes a concern for many countries as it has ample contribution in alleviating poverty and rapid economic growth. In social capital, aspects of social structure and organizations are like resources for individuals that enable them to realize their personal aims and interests. Such institutions are effective because they” permit us to carry on our daily lives with flexibility, a minimum of repetition and costly negotiation”. Since social capital creates trust and norms of reciprocity, it facilitates cooperation in working together and hence reduces transaction cost, build confidence on people to invest in collective activities and forced them not to be free-riders. Furthermore, (Pretty & Smith, 2004) identify four characteristics of social capital which make it important in economic growth:

1. Relation of trust- helps people to be cooperative, reduce transaction cost between people who are involved and hence frees resources. Trust makes individuals to act as expected and decreases the time and the costs of monitoring to others. But, trust cannot be easily build, rather it needs long time relation and easily broken if a society is pervaded by a distrust and conflict and thus cooperative arrangements are unlikely to emerge
2. Reciprocity and exchange –continuous exchange of goods and knowledge of equal value contributes to the development of long term obligations between people which is an important part of achieving positive environmental outcomes and
3. Common rules, norms and sanctions- called the rule of the game, which exist in social capital give individuals the confidence to invest in collective good since people believe that others also do same and those who break the rules know they will be punished. Thus, individuals balance their individual benefits and group benefits.

On top of that, as Ashebir (2005) argued, social capital helps the society to lower crime rates, get better health, improved longevity, get better educational achievement, greater levels of income equality, improved child welfare and lower rates of child abuse, get less corrupted and more effective government and enhanced economic achievement through increased trust and lower transaction costs and acts to buffer the effects of social stress. In general, its presence might generate a sense of well-being and belonging.

Some other authors also classify the benefits of social capital in to three main categories-Information”: social capital facilitates the flow and access of relevant information at the right time. Influence control and power and the last one is solidarity that results from strong social norms and beliefs and network that encourage compliance with local rules and customs (Adler & Kwon, 2002 Staveren & Knorringa, 2007).

However, it is worthwhile to be not very optimistic about social capital. Because as having positive impacts on economic growth and productivity enhancement, it has also negative impacts as “strong relationships among small groups can lead to exclusionary tendencies, higher entry barriers for outsiders and rent seeking by insiders. In such cases, the gains for a small group can be at the cost of many others and can even lead to inefficiencies for the economy as a whole” (Knorringa and Staveren,2005). And in addition, Pretty & Smith (2004) showed concern about the capacity of local trust and connectedness to bring economic benefits. They suggest that societies may be well organized and have strong institutions that add reciprocal mechanisms not based on trust but fear and differences in power. Not only this, formal rules and norms might possibly encourage people to the harmful way of treating others which results in conformity, perpetuate adversity and inequality and allow certain individuals to get others to act in ways that suit only themselves. Thus, social capital can also have its dark side.

Social capital is generated by informal institutions. “The norms, the networks, relationships, attitudes and values in the informal institutions are the social networks (capital) that govern interactions among people and contribute to economic and social development”. In informal institutions, the civil societies organize themselves for effective governance and management of themselves (Helmke & Levitsky, 2004). They trust each other and share values and participate in social networks. This network is an indication of social capital (Rauf, n.d.). Social capital is viewed as the capital made up of trust as a result of social relationships and interactions among people (Helmke & Levitsky, 2004). This interaction and relationships encourage networks of the society and results in reciprocity norms. In societies with high level of trust, there is cooperation and feeling of reciprocity among the members which makes the members more efficient than the distrustful society. This trust and social relations among individuals or people intern reduces enforcement costs, transaction costs and information sharing costs and facilitate action (Rauf, n.d.).

## **3 Material and methods**

### **3.1 Study area description**

The Ethiopian economy is based on rain feed subsistence agriculture. Agriculture is the core of the Ethiopian economy contributing approximately 47 percent to Gross Domestic Product (GDP) (Fintrac Inc., 2010). The sector generates 90 percent export (foreign currency) earnings and accounts for 85 percent of rural employment. In general, agriculture is the main source of the livelihood and main pillar of the economy. Around 80 percent of the population derives its livelihood from agricultural production (Haile & Assefa, 2005). Despite the importance of agricultural sector, its potential remains unused less than one fourth of the arable land is cultivated. The sector is dependent on erratic rainfall and backward technological farming system which result in low productivity and makes the GDP growth unstable (The World Bank, 2004).

Ethiopia, which is located in the horn of Africa, has an area of 1,127,127 sq km with a population estimated at 88,013,491 in 2010 with an annual growth rate of 3.2 percent. Ethiopia is the third populous country in Africa after Nigeria and Egypt (The World Bank, 2011). Ethiopia is characterized by diverse climatic conditions ranging from warm and humid in Southeastern region to semi-arid in the low lying regions. However, when we see the two ends, the climate condition of Ethiopia is cool in the highlands and warm in the lowlands. Because of the proximity of the equator, the annual range of temperature is relatively small. The country has a wide range of agro-ecological zones which reflect the wide variation in rainfall (both quantity and distribution), temperature, altitude, topography and soils. Three major agro-ecological zones are identified on the highlands of Ethiopia. These are-high potential perennial zone (which has warm and more humid climate), high potential cereal zone (with intermediate rainfall) and low potential cereal zone (high variability occasional drought) (Bishaw, 2001).

### **3.2 Chosen approach**

To understand the role of informal governance structures in Ethiopia, the study is based on existing secondary data. It makes use of literature on informal governance structures in Ethiopia, as well as existing data, namely the International Food Policy Research Institute (IFPRI) - Ethiopian Rural Household Survey (ERHS) and NBDC farmers' focus group discussion.

#### **3.2.1 The IFPRI-ERHS dataset**

Every year, IFPRI collects the so-called Ethiopian Rural Household survey (<http://www.ifpri.org/dataset/ethiopian-rural-household-surveys-erhs>). The Ethiopian Rural Household Survey is a longitudinal dataset covering households in a number of villages. Within each village, random sampling was used, stratified by female headed and non-female headed



households in all rounds of study villages, via extra sampling from new entrants, splits and newly formed households. The data collection started in 1989 and in that year, IFPRI conducted a survey in various peasant associations - Tigray, Amhara, Oromia and Southern Nations and Nationalities peoples regions of the country. Next IFPRI continued its survey in seven rounds (round 1 and round 2 in 1994a and 1994b, round 3 in 1995, round 4 1997, round 5 in 1999, round 6 in 2004, and round 7 in 2009) in these regions. This dataset describes Ethiopian households, their characteristics, the agricultural practices, food consumption, asset and income data, health and women's activities and shocks, public works, drought, NGOs activities and migration. This dataset also looks at social networks and capture some of the informal institutions in Ethiopia. This dataset is therefore used to confirm finding from the literature reviews.

Even though the survey has been run over many years, for matter of convenience we worked on the most recent one only, namely 2009 (corresponds to 2002 in Ethiopian calendar). For 2009 1577 households have been surveyed in 21 Peasant Associations in the four regions of the country; Tigray, Amhara, Oromia and SNNP (Southern nations and nationalities peoples). The numbers of households in each region are 148 (9%) in Tigray, 420 (27%) in Amhara, 591 (37%) in Oromia and 418 (27%) in SNNP. The advantage of this survey is that it is available for free. The drawback is that the survey was not conducted for this study purpose (the informal institutions).

### **3.2.2 NBDC farmer's focus group discussion**

The Nile Basin Development Challenge (NBDC) is funded by the CGIAR Challenge Program on Water and Food (CPWF). It aims to improve the resilience of rural livelihoods in the Ethiopian highlands through a landscape approach to rainwater management. It comprises five linked projects examining: 1) Learning from the past; 2) developing integrated rainwater management strategies; 3) targeting and scaling out of rainwater management innovations; 4) assessing and anticipating the consequences of innovation in rainwater management systems; and 5) catalyzing platforms for learning, communication and coordination across the projects (Notenbaert, 2010).

In the frame of the Nile Basin Development Challenge program, a focus group discussions in three sites namely Diga, Jeldu and Fogera were conducted in 2011. The aim of the focus group discussions was three folded: planning, implementation and innovation of rain water management and or natural resource management activities. Discussions were held with two different groups. The first group addressed issues concerning the priorities of farmers, their experience of RWM, farmers' innovation, and their planning and implementation practices. The second group addressed issues linked to livelihoods of the farmers, sources of food and income, stresses and vulnerabilities, conflicts, markets and opportunities, agricultural practices and other livelihood activities. This focus group data also looks how the social networks are working and explore some of the informal governance structures in Ethiopia. Data from this focus group discussion has been reviewed for this paper.

### **3.3 Limitations of the chosen approach**

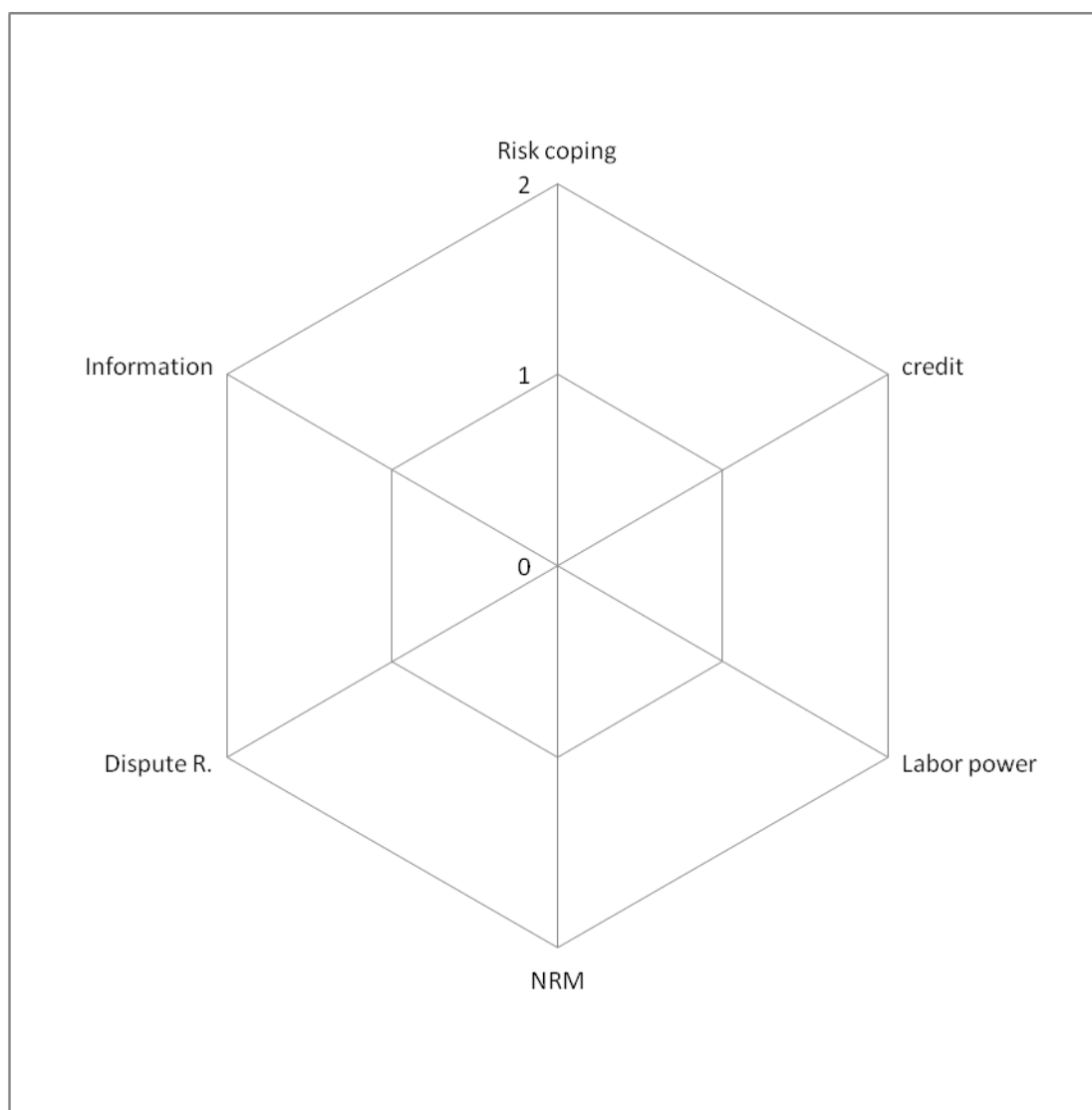
This study is based on a secondary data review only and therefore has a certain amount of limitations. Firstly, the existing data such as the IFPRI-ERHS data was not primarily conducted with aim of analyzing the informal institutions. Therefore, the information from this data set is limited and might miss out relevant for this study. And second, informal institutions are supposed to change from time to time and location dependent. And IFPRI-ERHS was done for seven rounds. But because of time and convenient purposes, we took only on one year data (2009).

## 4 A Conceptual Framework to Classify Informal Institutions

It is challenging to be poor: one lacks critical piece of information necessary for a rational decision and acquiring that information is costly as one does not have access to modern technologies. One cannot access formal insurance schemes or credit and therefore relies on very expensive alternatives. In other words, transactions of the poor are costly.

New institutional economics is recently developed theory that takes a new view on economics and focuses on transactions rather than on agents that take a decision (Williamson, 1989) . Transaction cost theory suggests that it is governance structures (institutions) other than markets that are most economical to allow transactions with specific characteristics to take place. In the perspective from the poor, there are various kinds of informal institutions all address particular challenges of the poor face in terms of transaction as well as allocation of production inputs. We have identified 6 axes shown in figure 1, along which informal institutions reduce transaction costs for the poor, namely risk coping, credit, common property regulation, manpower and traction force, conflict resolution and information.

In developing country context informal institutions all have primary roles, but provide many different services and therefore cover also different roles. We made use of these characteristics to classify an informal institutions based on their primary role, as well as their secondary roles.



**Figure 1** Axes along which informal institutions can be classified; risk coping, credit, labor power, NRM, dispute reduction and information

### ***Risk coping***

Being poor does not allow to accumulate sufficient assets to be able to overcome an unexpected shock, such as death of the income earning household member, the death of the oxen or drought. Insurance is therefore one of the most important financial institutions in the development process. Unfortunately, many developing countries experience difficulties providing formal financial protection (Outreville, 1990; Banerjee & Duflo, 2011). This is mainly due to asymmetric information (limited information) and limited enforcement problem. Asymmetric information occurs when one party has more knowledge about the issue or the contract than the other. There is information but there is unequal distribution of knowledge (Akerlof, 1970). The potential importance of asymmetric information in impairing the efficient operation of insurance markets is dealt with by many scholars. *Asymmetric information (information problem)* is one of

the moral hazard (Ray, 1998) that comes from the unobservable nature of the objective functions of the agent. Thus, transactions have to be carried out under the conditions of moral hazard which consequently needs the principal to deal with the hidden information and hidden action of the agent and uncertainty (Slangen et al, 2008). The other factor that causes failure of insurance is *enforcement problem*. To overcome the moral hazard problem that comes from limited information, contracts have to be designed to provide appropriate incentives or agreements. But, in developing countries there are no strong institutions such as courts of law to enforce these agreements (Ray, 1998). To overcome the market failure for insurances, the poor have developed self-insuring schemes that materializes in the form of informal governance structure that enables to cope with certain number of risks. Considering this, therefore, in the classification of the conceptual framework, risk coping is chosen as one of the axes in the analysis of the study.

### ***Credit***

In many developing countries, the poor rely on an informal credit sector that has outrageously high interest rates. This happened due to two critical problems: difficulty to monitor what is being done by the loan and voluntary or strategic default of borrowers. A loan may be taken for consumption purposes, or may be put in to risky investments which both can cause a failure for the repayment of the loan by borrowers. The borrower can also be careless in repaying the loan knowing that there is no legal system that can enforce the repayment. This fear of default at the end causes many lenders to ask collateral so that those who are risky will not participate. This collateral requirement is one of the criterion that the poor cannot afford (Ray, 1998). Whereas formal micro-credit institutions have been developed in most of the developing countries, they address the need of a certain category of the population (Berhane, 2009). These formal micro-credit institutions have very restrictive rule that hampers the very poor to access credit (Banerjee & Duflo, 2011)

### ***Labor power***

Human labors as well as oxen traction force are primary production factors in subsistence agricultural system. Often smallholders run short of agricultural labor or lack in sufficient traction force for ploughing. In a subsistence agriculture setting, the poor often does not have cash in order to hire manpower/traction force (Alwang & Siegel, 1999). An informal institution has emerged in developing countries that allow transactions to happen with cash. Therefore this parameter has been introduced into the framework.

### ***Natural resource management***

Natural resources are often public good, for which common property rules may be the solution. Examples of these are water, forests, grazing lands and fisheries. These resources are often overexploited since property rights are ill-defined: a phenomenon referred to as the “tragedy of the commons”. Ostrom (1990) has shown that common ownership of the commons can be the most efficient way to manage the resource. In developed world, the government can generally

enforce laws and property rights where as in developing countries the poor need to develop their own structures to own the commons collectively. Common property regulation has therefore been used as a dimension in the framework.

### ***Information***

The poor very often lack crucial information and acquiring that information is costly as one does not have access to modern technologies (Goulding, 2001). In the context of rural poor this information can be about health issues, market information, agricultural innovation, political knowledge and educational aspiration (Rogers, 2005). Therefore, the poor cannot make decisions confidently in order to access the right information at the right moment. The poor rely on their informal networks and therefore one role of informal institution is sharing information.

### ***Conflict resolutions***

Maintenance of peace in a particular country is a key factor that steps up development and economic growth. That is why many developed countries seen to have strong informal institutions for legitimate use of violence, to hold territory and to have a smooth relationship among the society. In developing countries, however, the issue of having strong governance that addresses this particular issue seems nonexistent. This is attributing to many reasons: in developing countries the government lack a proper army, well committed police and strong and independent formal institutions (Hossain et al., 2007) that enforce contracts and rules. Also the government might be unwilling to fulfill the basic functions. Thus, the development of informal institution by the poor community is an important element to solve the problems they face from different disagreements.

# 5 Results and Discussions

As described in the methodological chapter, we have looked at literatures including the results from the NBDC farmers' focus group discussion as well as existing dataset from IFPRI-ERHS to analyze informal institutions. We have identified seven informal institutions in Ethiopia, namely Iddir, Mahber, Eqqub, Debo/Wenfel/Jigie/oxen sharing/labor sharing, Gadaa system, Elder's group and Women's association, each of them are described separately in this chapter.

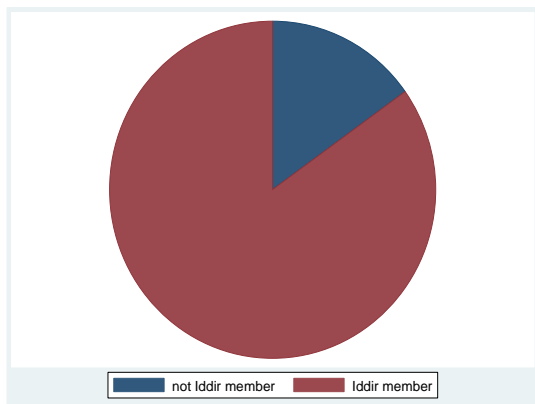
## 5.1 Iddir

**Iddir**- is one of the informal or local informal institutions in Ethiopia established voluntarily by the community and involved in self-help and other social activities. Iddir is established primarily to provide mutual aid in burial matters but also to address other community concerns (Pankhurst & Mariam, 2000). It is an association established by a group of persons united by ties in families, friendship, neighborhood, or belonging to the same job (Teshome, 2008). Furthermore, Iddir is a local association with long history, most widespread, commonly known in rural and urban settings of Ethiopia such as: Addis Ababa, South Wello, Wag Hemra, Sothorn Gonder, Sothorn Tigray, Siltie, and others. It organizes people according to gender, generation, wealth, education, religion, kinship, ethnicity and some other special relations. To mention some of the associations the Iddir formed: *Iddirs* based on professions like the teachers' *Iddirs*, on gender such as women's *Iddirs*, or on ethnicity or clanship such as those formed by migrants from specific areas. However, with regard to membership structure, iddirs are the most democratic and egalitarian social organizations which people are free to join and become a member regardless of their differences in religion, sex, and ethnic affiliation(Pankhurst & Mariam, 2000).

Also based on the IFPRI ERHS, 85% of the households in the data set are members of an Iddir (see Figure 1) and contribute in average 4.8 Birr per month for the iddirs. However, the membership varies greatly across Ethiopia. The left part of Figure 2 shows that in the central part of the country the number of the households who are members of the Iddir is higher. On the contrary, when we go far from the central part of Ethiopia, the membership gets less important. For instance in the East, West, and North Shoa, Arsi and East Gojam more than 93% the people are members of the Iddir. While in East Tigray, North Wello and Godio, the percentage of the people who are members of the Iddir are less than 79%. Interestingly enough those with membership have also involved in greater number of iddirs (number of Iddirs the household is a member). In the central part of the country, the number of the Iddirs those members involved in is relatively higher than the far distant part of the country. For instance, in Tigray, North Wello, Eastern Harerghe and others the number of Iddirs the members joined gets smaller. In Tigray (Eastern zone) on average a household is a member in 0.1 Iddir while in North Wello around 1 and in East Harerghe and Jimma around 2. However, in North, East, and West Shoa, Arsi and East Gojam, members have up to 4 Iddirs on average. In general 15% of the households are not members at all, majority of them have 1 and 2 iddirs (35% and 27%) respectively. The next are

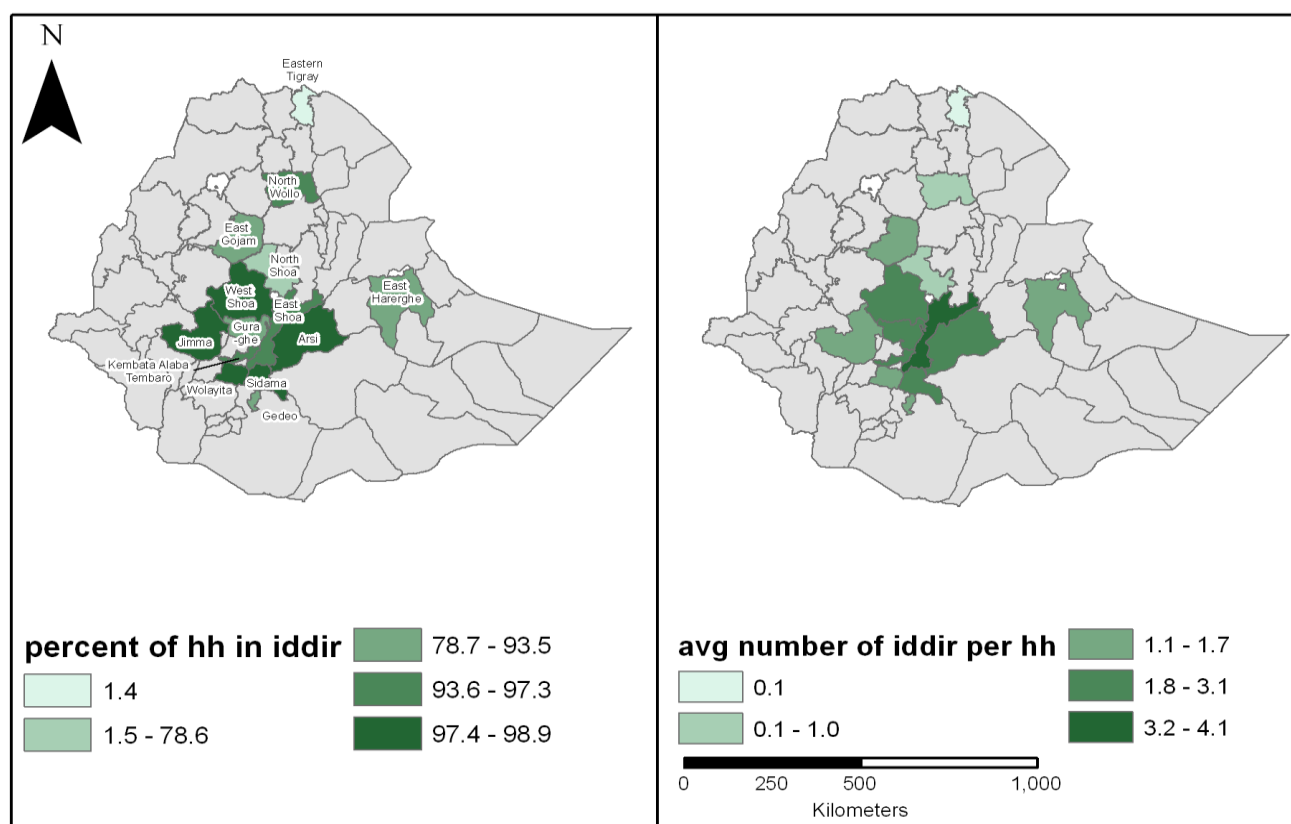
households members with 3 iddirs which are represented by 10% of the respondents and the rest are households on having 4 up 6 Iddirs on average which count 11% of the respondents. On average an Iddir has 179 members, which show that many people collected in group so that their unity will make a difference. This result was also supported by the focus group discussion that Iddirs (Afosha) have 5-100 individual members that cooperate during different activities.

This is confirmed by the Dercon & Bold (2004) in their findings that 80% households in Ethiopia are members of at least one Iddir and join one or more Iddirs. On average, in regular basis they contribute in cash on 0.16 Birr per month.



**Figure 2** Percent of household members who are members of at least one Iddir





**Figure 3** spatial distribution of household participation in Iddir: the percent of household in at least one Iddir (left) and average number of Iddirs households are contributing to (right)

**Error! Reference source not found.** gives an overview of the different roles of Iddirs. It shows that Iddir provides a wider range of services such as insurance (risk coping), provision of credit, sharing of information to the members and conflict resolution.

**Table 1 1 of the literature on Iddir and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Iddir	Risk coping	Credit Conflict resolution Awareness creation, Community mobilization (information)	Teshome, 2008 Pankhurst & Mariam, 2000 Desta, 1995,Aredo, 1993 Dercon,Hoddinott, Krishnan, & Woldehannna,2007 Frankenberger et al.,2007 Tessera, 2006, Mariam, 2003 Dercon, Weerdt, Bold, & Pankhurst,2005,Butcher,2007 Moges, 2006 Berhane, 2012 personal	Addis Ababa, South Wello, Wag Hemra Sothorn Gonder Southern Tigray Siltie

			communication IFPRI ERHS 2009 NBDC focus group discussion,2012	
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### ***Risk coping***

The primary objective of Iddir is helping people in funeral activities. When the death of the members occurs, the members in the Iddir will organize themselves to handle the burial and consolatory activities. Members contribute money on a regular basis to be used in case of emergency and to cover the necessary costs for burial activities (Desta, 1995). In addition, Iddirs assist the members in case of the adverse shocks such as asset losses (due to theft or fire) or the death of the crucial livestock like oxen, health problems or during weeding of the members and their families (Aredo, 1993). They cover medical expenses during illness and when a member dies, the Iddirs make a payment to surviving family members in cash or in kind. The amount of money the Iddirs cover can vary from place to place (Dercon et al., 2007). Furthermore, Iddirs contribute money during certain ceremonies so that the members will not get difficulties. This explicitly implies that Iddirs serve the local community as an insurance mechanism (Mariam, 2003; Frankenberger et al., 2007; Tessera, 2006). Also, IFPRI is working on drought insurance with Iddirs in southern regions (Berhane, 2012 personal communication). Also the focus group discussion result from NBDC in 2012 confirmed that iddirs insure the poor by helping them during funerals, house construction and agricultural practices such as harvesting, labor helping during lost of livestock, replacement of lost ox, fire breaking and taking members to hospital if the member gets sick.

### ***Credit***

Iddirs are remarkably not only in insurance services but also in banking services. Iddirs play a crucial role in solving the financial problems of the members. For instance, they provide loans without interest to the members when they experience cash constraints. In this case Iddirs serve as a credit institution to raise the fund for different activities (Mariam, 2003; Dercon et al., 2005). Also the IFPRI ERHS confirmed that Iddir provides loans and around 23% of households make use of this offer and have a credit throughout the Iddirs as shown in Figure 1 and Figure 2. In addition, the NBDC farmers' focus group discussions also proved that Iddirs provide credit to members without interest when members face financial problems to accomplish different activities like wedding, for health cost etc.



**Figure 4** Percent of iddirs that provide loan and percent of households who get credit respectively

### *Information*

Iddir is an excellent vehicle for transferring information to the community. During the funeral activities, messages are given concerning HIV AIDS, family planning by different organizations and furthermore members are mobilized for various types of collective activities. In this case Iddir is one of the information transferring mechanisms to the society (Pankhurst & Mariam, 2000; Butcher, 2007). The focus group discussion also approved this. Iddirs transmit information to members concerning gully rehabilitation, terrace construction, and others in funeral places and in the Iddir collecting areas.

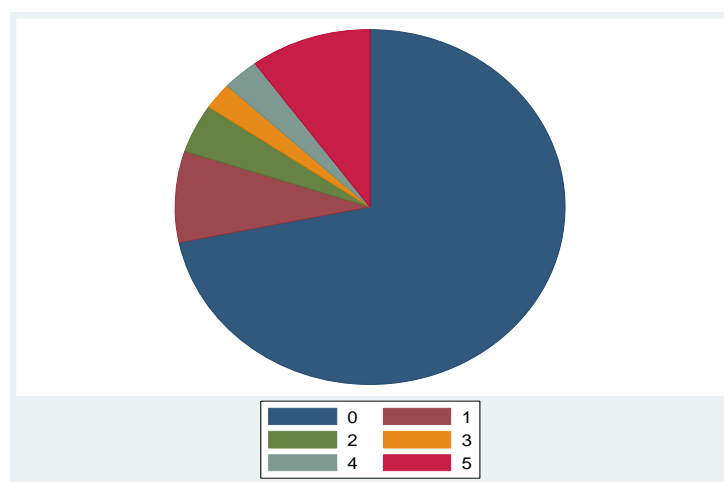
### *Conflict resolution*

Last but not least, Iddirs also help the community in handling their work peacefully and if there is any problem, members try to solve it through Iddir. In this case this institution is resolving the disputes among or between the individuals (Pankhurst & Mariam, 2000 ; Butcher, 2007; Moges, 2006).

## **5.2 Mahber/Senbete**

**Mahbers/Senbetes-** are voluntary and mutual aid community (religious) associations peculiar to Orthodox religion followers. The members gather together at church or in one of the member's house so as to pray together to get blessing from God and saint and discuss their problems and further share information. In doing so, the members bring food and drinks to church to feed the poor and themselves and discuss matters of common interest (Moges, 2006). Mahbers are also very crucial informal institutions involved in various community activities such as risk coping, provision of information, addressing manpower and traction force and conflict resolution. Also People in the sample were asked if their 5 best friends in the same Mahber. Accordingly, the IFPRI ERHS data revealed that, 28% of the households are members of the same Mahber and the

rest (72) are not. The number of the members looks smaller. One important reason could be the Mahber members are those who have 5 best friends. And the other might be those members who are only Orthodox religion followers. This is shown in figure 6 below.



**Figure 5** percentage of households have 0, 1, 2, 3, 4 or 5 best friends' member of the same Mahber

**Table 1 2 Overview of the literature on Mahber/Senbete and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Mahber/Senbete	Risk coping Information	Credit Conflict resolution Manpower and traction force	Moges, 2006 Habtom & Ruys, 2007 Muir, 2004 Frankenberger et al. 2007 Getachew, 1998 IFPRI 2009 ERHS NBDC focus group discussion,2012	Sothorn Gonder Southern Tigray Central Tigray Wag Hemra

### ***Risk coping***

Members of the Mahber make a specific amount of money on regular basis that will be paid out to members in cash or in kind in cases of the loss of the job, when an accident occurs and or illness or death happens. Thus, the institution guarantees the health insurance for the members by sharing risks among the members (Moges, 2006; Habtom & Ruys, 2007; Muir, 2004). As the NBDC farmers focus group discussion result revealed also, Mahbers are other very important institutions that the poor depend on during their problems. Mahbers are used for religious purposes (to get spiritual relief) to support each other (members) at time of hardship. Mahbers

support burial/funeral ceremony and associated expenses, cover medical fees for a needy member and carrying out farming activity/planting for sick members. This happens very easily because Mahbers foster close relationships among members. The numbers of the members in Mahber can be 15-30 individuals.

### ***Credit***

The function of Mahber is not limited to provision of insurance. Mahber also involved in provision of financial services to the members to address the shortage of capital. During financial crisis, members are given interest-free loans so that they will be involve in different investment activities to improve their livelihoods (Habtom & Ruys, 2007).

### ***Labor power***

Members join Mahber with the mentality of expecting benefits with reciprocity. So, when a member is in need of help for agricultural activities like weeding, ploughing, and others, the other members address the shortage of the labor (Frankenberger at al., 2007; Habtom & Ruys, 2007; Getachew, 1998).

### ***Information***

In Mahber, people get together and discuss on issues which are common interest of them. They share information, coordinate activities and foster their social ties. Therefore, Mahber is another form of social media for the community. This is confirmed by the focus group discussion from Diga, Fogera and Jeldu in Amhara region. Mahbers are used as good forums to disseminate NRM campaign programs (information related to NRM activities) such as tree planning and terracing. Every Sunday, information is disseminated at church and whenever members meet on Mahber, they get information and discuss about common issues.

### ***Conflict Resolution***

It is not unusual for Mahbers to be involved in community issues to solve disagreement between or among individuals. For instance Mahbers resolve disputes or conflicts from land, property transfers, divorces, theft and vandalism using local aged people called *Shimagile*. The Mahbers select 5 or more people (*Shimagile*) who will be involved in dealing with murder or other difficult issues. The *Shimagile* bring the disputants face to face to state their problems and after listening each of them, the *Shimagile* make them agreed and solve their problems using *mehala* or other mechanisms (Getachew, 1998).

## **5.3 Eqqub**

**Eqqub-** is an informal institutions established voluntarily to collect a specific amount of money from the members on a specific date to be paid on round and lottery basis to the members. The members know each other and thus trust each other to make the Eqqub function smoothly (Dessalegn and Aklilu, 1999; Desta, 1995). Interestingly enough, Eqqub also lends a hand to the

members in many aspects such as provision of credit and sharing important information. The IFPRI ERHS shows only 10% of the interviewed households were members of an Eqqub. This could be, the people in the Eqqub are gathered only for pooling of money but do not have well established group like other informal institutions such as Iddir, Mahber, etc and have no other purposes.

**Table 1 3 Overview of the literature on Eqqub and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Eqqub	Credit	Information	Dessalegn, and Aklilu, 1999 Desta, 1995 Frankenberger et al., 2007 Teshome, 2008 IFPRI 2009 ERHH	South Wello Wag Hemra Sothorn Tigray

#### ***Credit***

The primary objective of Eqqub is to pool a certain sum of money from individual members and give to the members on lottery basis. Eqqub solves the financial constraint of the members which are not accessible by formal institutions. Eqqub provides the sum amount of money for the members without interest and without any need of collateral. Hence, Eqqub, without exaggeration is replacing the function of banks (Frankenberger et al., 2007). The focus group discussion also explained that Eqqub is serving as traditional saving institution for improved income and investment in productive assets. However, in these districts where the focus group discussion held, only women are involved in Eqqub. This shows that Eqqub covers only small activities.

#### ***Information***

During the time of money collection, members in the Eqqub discuss different issues about the business and what is going on at hand, and those people from different discipline provide consultation services (Teshome, 2008).

## **5.4 Debo/Webera /Jigie/ Wonfel(Labor sharing)**

**Debo/Webera /Jigie/Wonfel/oxen or labor sharing-** are arrangement of agricultural work groups in rural Ethiopia that create structures for “pooling the labor of a number of people from an area to assist one or more individuals with building a house, cultivating a large piece of land, or ploughing, harvesting crops, clearing forests for ploughing and similar tasks through promises of future reciprocity among member participants (Getachew, 1998; Daniel, 2003). But in Debo or Wobera, a form of festive labor, where a person will provide food and drink for a large work

party in order to carry out a time-sensitive agricultural task, there is no reciprocity. These informal institutions contribute a lot to the group like manpower and traction force and mobilizing to the community.

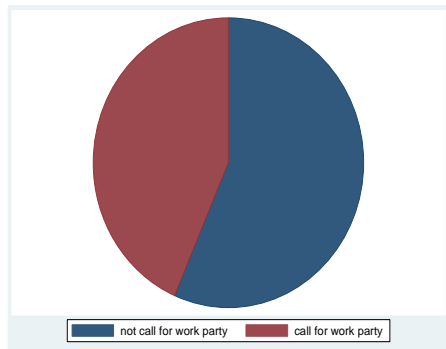
**Table 1 4 Overview of the literature on Debo/webera and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Debo/Wobera /Jigie/Wenfel/ Labour sharing	Manpower and traction force	Information Risk coping	Moges, 2006. Frankenberger et. al, 2007 Spielman et.al, 2008 Getachew, 1998. Bevan and Pankhurst,2007 Daniel, 2003 Desta, 1995 IFPRI ERHS 2009 NBDC focus group discussion,2012	South Wello Wag Hemra Sothorn Tigray Turufe Kechem Oromia

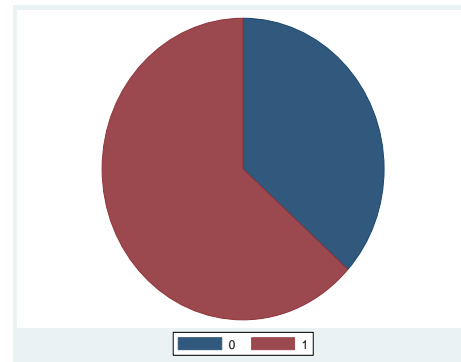
The IFPRI ERHS confirmed this and showed that a significant percent of people (above 68%) are working in labor share (oxen share, Debo, Wobera) arrangement.

### ***Labor power***

In different areas of Ethiopia (South Wello and Oromia region in Weredas Legambo, Dessie Zuria, Jemma, and Bati), individuals gather to assist each other in accomplishing various activities like ploughing, weeding, harvesting and building of houses. Especially during the peak period, the crops become in danger by flood or unexpected rain. An individual whose crops are exposed to this shock request the neighbors to come and provide him group labor (Moges, 2006; Moges, 2006). This helps the agricultural activities to be carried out at the right time so that the productivity and farmers' efficiency increases (Frankenberger et al., 2007; Desta, 1995); Getachew, 1998 and Spielman et al., 2008). The IFPRI ERHS also confirmed the above result from the literature review. It shows that there are various kinds of labor sharing arrangements such as Wonfel, Debo, Jiggi, Geaze, Webera and Kebbo. 58% of households are members of the labor sharing (oxen share, Debo, Wofel, etc). In the year 2009, the members were asked if they call for a work party-Wonfel, Debo, Jiggi, Geaze, Webera, Kebbo to work together to solve shortage of labor power. It is shown that 44% of the members called for labor power arrangement in the form of group labor or oxen share. Furthermore, these labor shares are working on reciprocity basis. As the statistical result from this data showed, around 63.4% of the members in these labor shares work on reciprocity basis.



**Figure 6** Percent of households who called members for work party to get labor power



**Figure 7** Percent of households who work in reciprocity

Interestingly enough, the NBDC farmers focus group discussion result revealed that most community members share labor arrangements such as Daadoo, Daboo, Dudga, Debayit/Wobera/Wenfel (for weeding, harvesting, threshing, ploughing-labor sharing during peak season or construction of house), Ergamuu (free labor service for sick, disabled and households encountered sudden death or seasonal shortage of labor) on the basis of neighborhood or personal relationship and performance (efficiency).

### **Information**

During their activities, such as ploughing, weeding, and others, members share information concerning their common issues and what is going on outside.

## **5.5 Gadaa /Cheffe Kore/ Kedo Aba**

**Gadaa/Cheffe Kore/Kedo Aba/Seera** - is one form of social organization based on the age-grade classes of males that succeed every 8 years to serve the community in economic, political, military and social issues. The system assigns right and obligations or responsibilities to all males in the society (Edossa et al., 2007).

**Table 1 5 Overview of the literature on Gadaa/cheffe and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Gadaa/Cheffe Kore/Kedo Aba	Conflict resolution	Information Common property regulation	Edossa, Babel,Gupta, &Awulachew, 2005 Edossa et al., 2007 Dixon & Wood, 2007 WIBD, 2005 NBDC focus group discussion,2012	Borena Western Welega Illibabur Gamogofa Diredawa



### ***Natural resource management***

One economic function of the Gadaa system, which is most popular in Oromia –Borena zone, is involvement in common property regulation such as water, land and forest. The Gadaa sets rules and regulations that people will be governed and based on these rules it distributes resources (like water) to the community in a sustainable and efficient manner. For instance, to manage water the Gadaa ordered individuals to use open water sources and to close wells in wet season, in dry season to shift herds to distant pond and re-open traditional wells to preserve water near to home and hand dug ponds are maintained timely (Edossa et al., 2007). The Cheffee committee involved in managing wetland by preparing drainage ditches and continuous maintenance of it through coordination and facilitating cooperation among men. Farmers are also involved in guarding crops, hoeing, weeding, ploughing and sowing, and drain water (irrigation), building footpath bridges across wetlands, and conflict resolution when it happens (Dixon & Wood, 2007). Further Dala Aba institution is involved in rangeland regulation (making grazing land reserve for dry season and settlement patterns) and herd regulation (division of animals into species) (WIBD, 2005). The NBDC farmers' focus group discussion supported this idea. In these districts, people have a Water User Committee (a sub-committee in the Gadaa system which the members of the committee are governed by the Gadaa system). To manage water use from Reb River, for example, the committee first discuss on how to allocate water among the users. And then, WUC set the turn or water use schedule for irrigation users by lottery method to use the water wisely. The timing of the water is based on crop type and the potential of water. For example maize growers access more water than vegetable growers. They make the people to coordinate and get maintenance to the canal. They established their own rules and regulation and they take appropriate measures up on wrong doers through their by-law -like those who fail to break the by-law- will pay 250.00 Birr and composite (compensate) for the amount lost because of lack of irrigation etc

### ***Conflict resolution***

Since resources are scarce, individuals conflict each other in using them. Conflicts within the community arise when some of them are marginalized, and unable to participate to use and monitor the common resource, when local traditional laws are no more respected if people thought that they are not legitimate and or when external parties tried to pursue their interests while ignoring the local people needs and requirements. The Gadaa sets rules and regulations which are respected by all people. In Borena zone for instance, the Gadaa perceived as the figurehead of the whole community and the people are loyal to the Gadaa. Then, when conflict arises among ethnic groups in using resources like water, land and forest, or community and external parties like government in expanding development projects on grazing lands, the Gadaa will be called and make peace among users (Edossa et al., 2007; Edossa et al., 2005; WIBD, 2005). The focus group discussion also supports this and showed that members elected by the water user community play role in resolving conflicts on water use and water way related problems such as irrigation water, upper and lower stream users. For instance because of the less

quantity and area coverage of the irrigation water, conflict can arise, and WUC is responsible to solve this problem.

## 5.6 Elder's group

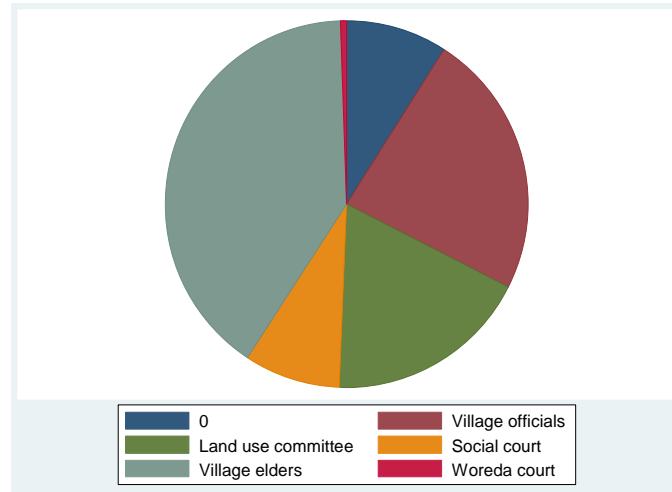
**Elder's group**- commonly called Shimagelay is a traditional association of Elders people who are elected by the local community in order to serve the society in times of disagreements and coordinate them in common resource management like water and forest and disseminate information (Frankenberger et al., 2007; Spielman et al., 2008).

**Table 1 6 Overview of the literature on elder's group and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Elder's group	Conflict resolution	Common property regulation Information	Frankenberger et al.,2007 Spielman et al., 2008 Butcher, 2007 Pankhurst, 2003 Gebremedhin, B Pender, J and Ts fay, 2002 Muir, 2004 IFPRI 2009 ERHS NBDC focus group discussion,2012	North Omo Afar region Borana Somali Dubti, Liben and Shinile Wag Hemra Siltie

### ***Conflict resolution***

The Elders group are influential institutions in conflict resolution, mediation and negotiation among the neighbors, couples and between or among the community when conflict arises due to common resource use such as water, pasturelands and others (Frankenberger et al., 2007;Muir, 2004). For example in Afar, Borana and Somali in Dubti, Liben, Shinile and south Wello zones the role of Elder's group in solving such a problem is significant (Butcher, 2007); Pankhurst, 2003). IFPRI ERHS confirmed the above results and showed that the rural society of Ethiopia has different kinds of mechanisms to handle conflicts which result from different reasons of which Elder's group is one of them. But the Elder's group takes the lion share (around 40%) in resolving conflicts, which result from boundary disputes, divorce and others, among the individuals, communities and the families.



**Figure 8** Percent of Elder's group (Village elders) involved in conflict resolution

Furthermore, in Diga, Fogera and Jeldu district -Amhara region -a study was made using focus group discussion. In all the three districts, it was observed that any conflict from ethnic differences, families, crossing farm to someone's farm boundaries (land boundary) or any conflict pertinent to natural resource related such as grazing land or encroachment of communal grazing lands for farm expansion, conflict over water (failure to confirm to water use schedules; prohibiting irrigation water ways through their farm), crop damage by livestock, cutting trees from protected community forest areas, illegal cutting down of trees from community forest (debora) for making charcoal, stealing cattle (mainly oxen), blocking community main paths/village routes, or failure to adhere to land contractual agreements, the Elder's group (through jarsumma or yegilgil shengo) will solve the conflict. In general, all types of conflicts are solved by Elder's group. However, some times the conflict cannot be solved using this traditional institution. Especially conflict from land transaction and others, it could even reach to the formal court.

### ***Natural resource management***

The function of Elders group is not limited to dispute resolution, rather it involved in the regulation of scarce natural resources. They play a major role in regulating grazing lands and water in the Central, Southern, Eastern and Western zones of Tigray, Oromia and Wello regions. Villagers contribute cash or in kind for guard payment and contribute their labor for regulating the resource. If guard is not used for protection, village members take turns to protect the land or use fences (Gebremedhin et al., 2002; Muir, 2004). But from the focus group discussion result, none of the informal institutions including Elder's group are involved in common property regulation except the water users association.

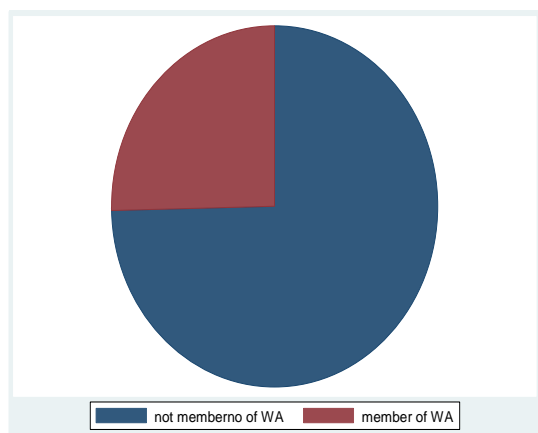
## 5.7 Women's Association

**Women's Association-** is a voluntary association of women group who have explicit agreement to help each other in a specified way when well-defined events occur. These associations help the members in cash or in kind, in capacity building and by sharing of information (Dercon et al., 2005).

**Table 1 7 overview of the literature on women's association and classification into primary and secondary roles**

Informal Institution	Role played		References	Locations
	Primary	Secondary		
Women's association	Credit Risk coping	Information (Capacity building, awareness creation)	Dercon et al., 2005 Frankenberger et al., 2007 IFPRI ERHS(2009) data	Central Tigray Southern Tigray Western Tigray Oromia- Amhara,

As the IFPRI ERHS showed, rural women organized themselves in the women's association to accomplish different objectives. Among the surveyed households, around 25% are members of the Women's Association. The percentages of households who are members of this institution are not significant since the survey includes both women and men. Those women who are members of the Women Association are at the same time members in the Iddir (282 women). This may be one implication that women are involved in the Women's Association in addition to Iddir to fill the gap that Iddir fail. In addition, those who are members of the women's association but not Iddir members are 106 and are relatively smaller in number than those who belong to both institutions.



**Figure 9** Percent of households who are members of women's association

***Credit***

The poor women households usually are constrained with finance since they could not fulfill the requirements of the formal institutions like collateral and they cannot afford the high interest rate. Hence, they take the loan from women associations that provide credit with zero interest rate to members (women only) who face cash shortages (Frankenberger et al., 2007; Dercon et al., 2005)

***Risk coping***

The Women's Association helps the members by covering the expenses (for illness or hospitalization , funeral ceremonies, and other shocks) that is not covered by Iddir (Dercon et al., 2005).

***Information***

In addition to its primary objectives, provision of credit at zero interest rate for those women who cannot make it from formal institutions and reduction of risk, the Women's Association has been providing skills trainings and creating awareness in various community focused ceremonies and festivities in different parts of Ethiopia-Southern, Northern and Central zones of Tigray, Oromia and Amhara region (Frankenberger et al., 2007).

## 5.8 Comparing the different informal institutions

Based on primary and secondary role identified in the previous section, we compared the different institutions along the six dimensions identified in the framework to map these informal institutions to economic development. We visualize the different roles of the different informal institutions or governance structures in Ethiopia with spider diagrams that take the value 2 for the primary role of the informal governance structure, 1 for the secondary role and 0 not relevant.

### Comparison of the informal institutions

Roughly we can classify informal institutions in to three broad classes based on the area covered by the respective spider diagram: informal institution involved with large range of the institution, those institutions that avoid specific market failure and those institutions that are concerned with social duties (justice) and conflict resolution.

#### *Large range institutions*

When we look at the specific roles played, Figures 11(Iddir), 12 (Mahber) and 13 (Women's Association), they seem very similar. All of them are much involved in risk coping and less in information provision and conflict resolution. However, Figure 12 is further involved in manpower and traction force which the other two fail to address it and Figure 13 (Women's Association) even though it has very broad cover, it only addresses half of the population (women only). Generally, these informal institutions enable a broad range of transaction beyond insurance namely the provision of credit, information sharing, and conflict resolution and manpower and traction force. This suggests that these informal institutions are the backbone of the community and are a good proxy for social capital of the community and therefore for its capacity for collective action

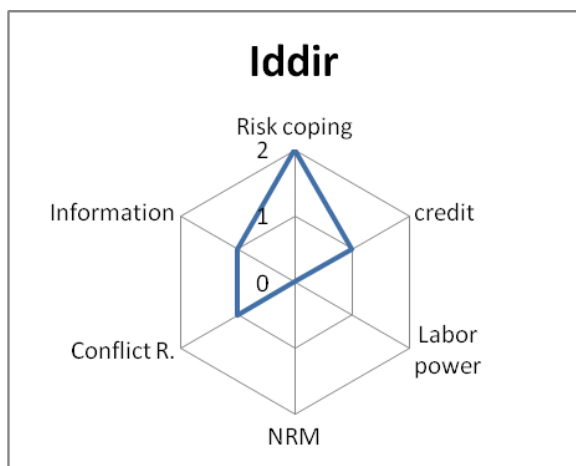


Figure 10 Iddir

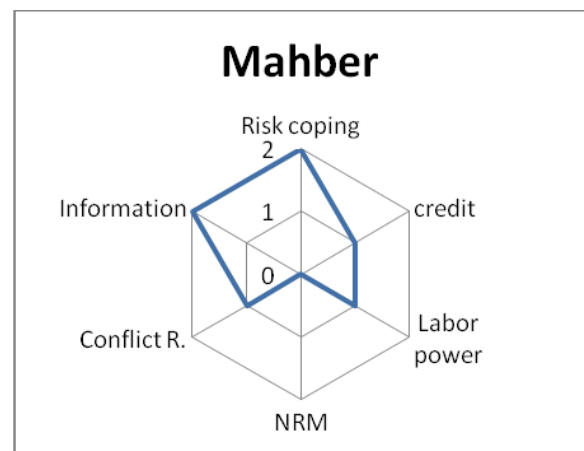
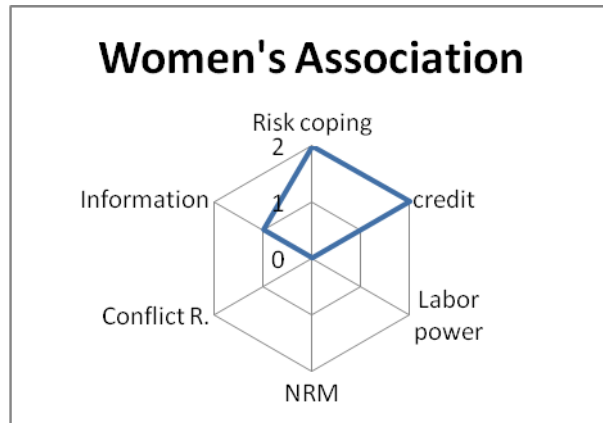


Figure 11 Mahber

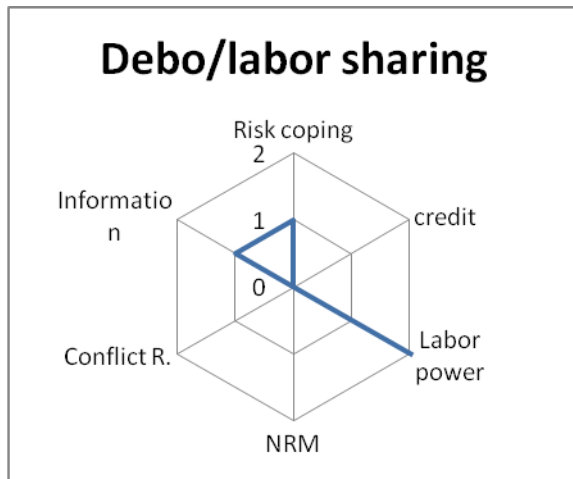


**Figure 12** Women's Association

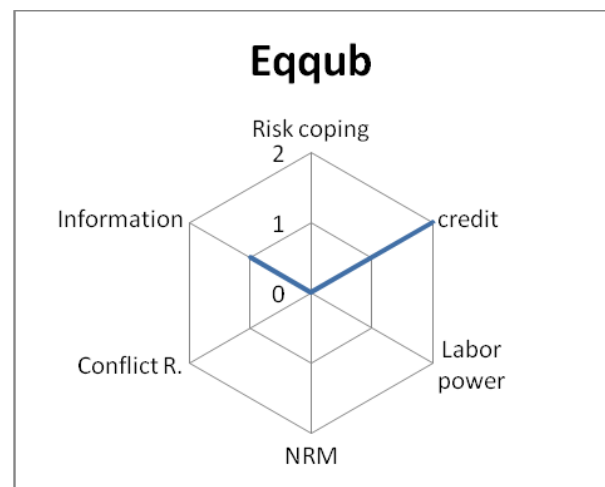
To answer the objective that these risk coping informal institutions could be a good proxy for social capital it was proved from the social network reported by the farmers in the IFPRI-ERHS. Indeed, Iddir, Mahber and Women's Association informal institutions seem they shape more relationship in social capital.

#### ***Specific Market failure***

The second group of informal institution which represented by Figure 14 (Debo/labor sharing) and Figure 15 (Eqqub) are targeted institutions which address one specific market failure namely the lack of cash and the lack of saving and credit opportunity respectively. Both informal institutions are also used up to a certain degree to share information.



**Figure 13** Debo/Labor sharing

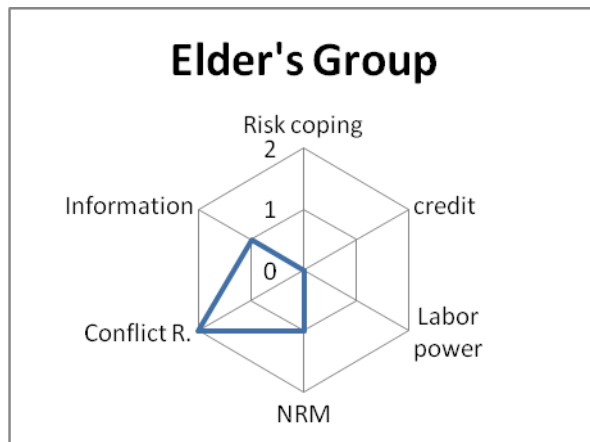


**Figure 14** Eqqub

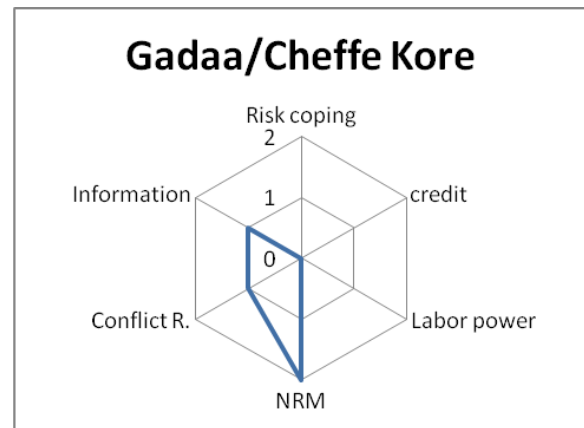
#### ***Social duties and conflict resolution***

The third group identifies informal institutions which are engaged more on social duties or justice and conflict resolution, namely the Elder's group (Figure 3) and the Gadaa system (Figure 4). These two institutions are relatively similar as they are both involved in conflict resolution,

common property regulation and information sharing services. Whereas, the Gadaa system/Cheffee Kore seems highly specialized in conflict resolution related to common property regulation; the Elder's group resolves all kinds of conflicts irrespective of the type or their sources.



**Figure 15** Elder' group



**Figure 16** Gadaa/Cheffe Kore



# 6 Conclusions and Recommendations

## 6.1 Conclusions

The study presented some qualitative and statistical evidence using empirical literature on informal institutions in Ethiopia. Also we explore further the existing informal institutions using IFPRI-ERHS data and looked at the data from the NBDC farmer focus group discussion.

A number of the theoretical predictions were supported by our secondary data from the empirical literature, the IFPRI-ERHS data and the NBDC farmer focus group discussion. Accordingly, we obtained the possible informal institutions in rural Ethiopia such as Iddir, Mahber, Eqqub, Elder's Group, Gadaa/Cheffe Kore, Debo/Wobera/Wonfel/Oxen sharing (labor sharing) and Women's Association.

These informal institutions engaged in different economic and social activities. The major benefits these informal institutions provide include risk coping, provision of credit, common property regulation, manpower and traction force, conflict resolution and information.

Based on the functions they provide as primary, secondary and none, we classify these informal institutions we obtained in to three major categories: i) which cover a large range of governance issues, ii) which avoid specific market failures and iii) that serve social duties and conflict resolution.

Iddir, Mahber and Women's Association are categorized under large range informal institutions. All three of them are much involved in risk coping and less in information provision and conflict resolution. However, the women association though it cover very broad range, it only addresses half of the population. Due to the large range one can conclude that these governance structures contribute most to social capital and therefore the self-organizing potential of communities.

Eqqub and Debo/Labor sharing are targeted informal institutions which solve specific market failures namely the lack of cash to hire manpower and traction force and credit. These informal institutions cover a relatively small amount of dimensions.

The third category, social duties and conflict resolution, includes informal institutions such as the Elder's Group and the Gadaa system. These structures have a crucial function in conflict resolution. The Elder's Group resolves conflicts that arise from any kind of disagreement, but the Gadaa/Cheffe Kore system resolves conflicts related to the use of common property resources such as water, forest and grazing land.

Even though the different informal institutions which exist in Ethiopia played a different role for the rural households, none of them are involved in natural resource management as their primary

roles (except the WUC which is sub-element of the Gadaa system involved primarily in managing water).

## **6.2 Recommendations**

The results of the study provide little evidence that participatory natural resource management is being implemented in all the existing informal institutions in Ethiopia. A paradigm shift in government views on community involvement through informal institutions would be required to give natural resource management such as water, land and environment better chances of success and wisely use. In addition, it is important for other development actors such as NGOs to encourage the informal institutions and to work with them so that the informal institutions' collective action will be efficient enough and contribute to development by generating strong social capital.

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